

REMARKS

In the Office Action, claims 1-7 and 9-12 were rejected under 35 U.S.C. 101 because of non-statutory subject matter for reasons set forth in the Action. Claims 1-7 and 12 were rejected under 35 U.S.C. 103 as being unpatentable over Wohlstadter (US 2002/0198833) in view of Chaganti (US 2005/0080705), Sugahara (US 7,310,616), Brisbois (US 2004/0267647), Tripp (US 2007/00277887), and Barron's Dictionary of Finance and Investment Terms (Barron) for reasons set forth in the Action.

Claim 9 was rejected under 35 U.S.C. 103 as being unpatentable over Wohlstadter in view of Chaganti, Sugahara, Brisbois, Tripp, Barron, and Earle (US 5,262,942), and claims 10-11 were rejected under 35 U.S.C. 103 as being unpatentable over Wohlstadter in view of Chaganti, Sugahara, Brisbois, Tripp, Barron, and Wallman (US 6,601,044) for reasons set forth in the prior Action of February 20, 2008.

REPORT ON SUBSTANCE OF INTERVIEW

An interview was conducted by telephone on September 5, 2008 between Applicant's representative, David Warren, and Examiner Johnson. At the interview, there was discussion of the basis of rejection of the claims under 35 U.S.C. 101, in which an argument was made to point out to the examiner how the subject matter of the claims met the statutory requirements, particularly in that the claims were not directed to theoretical mathematical concepts, but included subject matter relating to real objects, such as real property, and the establishing a market by the administrator. However, no agreement was reached.

There was also discussion of the basis of rejection of the claims under 35 U.S.C. 103 in which an argument was made to point out to the examiner how none of the previously cited references nor the newly cited references taught or suggested the establishment of a market in property that was first acquired, as shares of ownership, by the administrator and then split up into portions of sets of rights having different kinds of rights, prior to establishment of a market in the portions. In each of the references, the teaching is directed to the generation of some kind of security or system of securities,

which is then followed by further activity that, in some of the references might resemble a market. However, no agreement was reached.

ARGUMENT TO OVERCOME THE REJECTIONS UNDER 35 U.S.C. 101

The statute makes reference to a “useful process, machine, manufacture or composition of matter.” Independent claims 1 and 12 are similar. For purposes of analysis of the applicability of the statute to the claims, claim 1 may be presented as an example.

Claim 1 (in simplified format) begins by stating a method for managing the assets of holders of rights in a property, and recites the steps of: acquiring shares of ownership in a property represented by a security . . . wherein each of the shares constitutes a set of rights . . . ; dividing the set of rights into portions . . . ; and establishing a market in the portions . . . Each of these steps is performed by an administrator.

With respect to the statute, this claim falls in the category of a process, which deals with a security, and wherein the three steps result in the establishment of market. The market is a special type of market having a specific utility, namely, dealing with portions of a set of rights. The claim includes wording that describes each of the shares of ownership as constituting a set of rights, and explains that a set of the rights is divided into portions such that rights found in one of the portions differs from the rights found in another of the portions. The market established by the claim enables investors to buy and sell the portions of the set of rights as distinguished from the usual stock market wherein investors deal with integral and non-integral amounts of complete shares of a security. Furthermore, the claim provides numerous examples of the rights.

The foregoing analysis shows that the claim deals with real subject matter, as distinguished from theoretical mathematical statements, such as Einstein’s equation for relativity. The claimed method has utility, as is readily appreciated by the fact that millions of people are involved in the activities of the major stock markets throughout the world on a daily basis.

By way of example in explaining the foregoing distinction between the market established in the claim and the usual form of stock market, one may consider a grocery store selling bread. In a store selling the bread in the traditional manner, a customer may buy one or more complete loaves of bread (an integral number of loaves), or slices of the bread, or half of a loaf (non-integral number of loaves). Each of the slices is complete in the sense that it includes the soft center portion and the encircling outer crust.

In contrast, in a store selling the bread in a non-traditional fashion, corresponding to the mode of selling securities as set forth in the foregoing claim, a customer could request the storekeeper to peel off the outer crust, and sell the customer the soft interior of the loaf of bread. Some other customer, who enjoys biting into the crust, would purchase crust that has been peeled off the loaf. Thus, in the non-traditional store, a customer could buy a lot of bread or a little bread and receive only the soft interior or the hard crust. Later on, upon returning home, family members might complain that they want to eat a complete serving of bread, in which case the customer could trade with another customer, or with the storekeeper, to obtain the missing part of the bread.

While the foregoing example might be an extreme case, a more usual situation is found in a store selling fresh meat, wherein one might buy a side of beef with the bone or without the bone. If bought without the bone, another customer may buy some of the bone for making soup stock. This is the analogy with the investor who buys and sells complete shares of stock, each of which has a complete set of rights, as compared to the investor contemplated, by the foregoing claim, who might buy a fractional share in the sense that he receives only a portion of the rights (a voting right without a dividend right) associated with a share.

However, it must be understood that the foregoing analogy does not paint a complete picture of the claimed subject matter. For example, if the storekeeper does his own baking and has a farm where he raises his own cattle, then there is no step analogous to the claimed step of acquiring the security. For a complete analogy with the claimed subject matter, the storekeeper would have to buy the bread and buy the meat from a wholesaler and then break down the bread and the meat, the analogue of the claimed

“dividing the set of rights into portions”, to obtain the crust and the center part of the bread, and the flesh and the bones of the side of beef.

As a further analogy, one might consider the operation of a junk yard dealing with automobiles that are no longer good to drive. The junk-yard acquires the automobiles by purchases from owners of the automobiles. A customer of the junk yard may request a gear from a transmission or a piston from an engine, and the junk-yard dealer will disassemble one of the cars to provide the desired part.

The foregoing analogies between the claimed invention in the processing of securities and the processing of consumer products is presented in order to facilitate an understanding of the invention, and an appreciation of the different steps set forth in the claims. This is believed to be useful in the argument for overcoming the rejection of non-statutory subject matter under 35 U.S.C. 101, and a further argument (to be presented below) for overcoming the rejection of obviousness under 35 U.S.C. 103.

Further, with respect to a showing of statutory subject matter in the claims, it is believed to be useful to show that the type of subject matter disclosed in the present claims has been found to be statutory in previously issued United States patents. Furthermore, with respect to the manner of claim drafting in such patents, in some of the patents, the mode of description of steps (and apparatus) in the claims corresponds with the mode of description employed in the drafting of the present claims. Four of such patents are described below to demonstrate that the nature of the present subject matter is statutory, and that the manner of presenting the subject matter in the present claims avoids the theoretical mathematical formulations of relativity and other branches of physics. The following patents are presented, namely, Sugahara (US 7310616), Musmanno (US 5826243), Danvers (US 6044352), and Stallaert (US 6035287).

(1) Sugahara (US 7310616), cited in the present prosecution, presents for claim 1 (in redacted form):

A method for structuring a transaction carried out among a first party, a second party and a third party, comprising:

arranging a first agreement between the first party and the second party - -

obligates the first party to sell a security - -

obligates the second party - - in lieu of a dividend - -

requires a first periodic marking - -

obligates the first party to unwind the sale - - followed by an arranging of a second agreement between the second party and the third party.

(2) Musmanno (US 5826243), cited in the prosecution of the Sugahara patent, presents for claim 1 (in redacted form):

A data processing system for managing a plurality of accounts, wherein each account includes a master account held by a first individual - - comprising:

account input means for receiving account transactions from said individual - - and asset transfers - -

account processing means for creating and controlling one or more subaccounts - - profile of account transactions - - and

account reporting means for creating, displaying or outputting reports - -.

(3) Danvers (US 6044352), cited in the prosecution of the Wallman patent which was cited in the present prosecution, presents for claim 1 (in redacted form):

A method of operating a computer system for providing health insurance - - comprising:

entering into a computer a plurality of accounts, one for each participant - -

opening a custodian account - -

engaging a mutual fund to hold - -

periodically crediting in said computer each of said accounts with its proportional share of the money income - -

establishing an insurance policy for beneficiaries - -.

(4) Stallaert (US 6035287), cited in the prosecution of the Wallman patent, presents for claim 1 (in redacted form):

In a data processing system, a method of asset trading comprising:

entering a plurality of bundled trades;

matching trades among said plurality of bundled trades, wherein each of said plurality of bundled trades includes a bundle size value - -

allocating a set of said plurality of assets - -, said step of matching trades comprising:

selecting a set of numerical values, wherein said set of numerical values has a same number of members as a number of said plurality of entered bundled trades - -

multiplying each proportion of asset to be traded by one of each numerical value - -.

It is urged that, upon inspection of the foregoing four examples of subject matter claimed in United States patents, the subject of financial transactions is a recognized area of subject matter which falls within the ambit of 35 U.S.C. 101 and, accordingly, the claimed subject matter of the present patent application is believed to meet the statutory requirements of 35 U.S.C. 101.

ARGUMENT TO OVERCOME THE REJECTIONS UNDER 35 U.S.C. 103

As noted above, Claims 1-7 and 12 were rejected under 35 U.S.C. 103 as being unpatentable over the combination of the teachings of Wohlstadter in view of Chaganti, Sugahara, Brisbois, Tripp, and Barron. Claim 9 was rejected under 35 U.S.C. 103 further in view of Earle, and claims 10-11 were rejected under 35 U.S.C. 103 further in view of Wallman.

Each of the foregoing references was cited to teach one or more aspects of the claimed subject matter. But no one reference taught or suggested all of the claimed subject matter. Particular attention is directed to the citation of Tripp who establishes a form of security in which an accrued interest in the form of an accrual right is stripped off to be sold separately. This was cited to demonstrate the claimed division of the set of rights, and was cited also to demonstrate the claimed establishment of a market. But there is no suggestion in the activity of Tripp to go out and buy his special form of security (analogous to the presently claimed step of acquiring shares of ownership), especially since the Tripp security is specially made and not available elsewhere. The examiner attempts to combine these teachings of Tripp with Wohlstadter who is said to teach the acquiring of shares. But this would be inconsistent with the teaching of Tripp because he makes a special type of security that is not available elsewhere, and therefore could not be acquired elsewhere.

There follows a listing of the cited art showing the basic teaching of each reference and the reason the reference was cited. Collectively, the lessons of the cited references appear to be more like a book on financial engineering that presents various building blocks, but that would not suggest to a financial engineer the building and practice of the present invention as set forth in the present claims. The cited art is as follows:

Wohlstadter provides an economic benefit to the entity that issues stock wherever the stock is traded among third parties on a stock exchange. Wohlstadter serves as the main reference, and is cited in an effort to show most of the claim limitations, such as: managing assets, acquiring shares constituting a set of rights, different kinds of rights, the

dividing the set of rights into portions, that a kind of right present in one portion is absent in a second portion, and establishment of a market.

Chaganti teaches use of electronic apparatus to issue and to trade property interest in intangible forms of property such as patents, trademarks, copyrights, and goodwill, as well as a right of future income of a person, with determination of a price of the share, listing the share, and selling the share. This reference is cited to teach a limitation of time.

Sugahara structures a transaction between a party who is in a “long” position and a party who has a “short” position on a security, and wherein, as noted by the examiner (col. 4 at lines 13-16) there is an obligation to repurchase a security. This reference is cited to teach the limitation of a repurchasing, wherein the actual teaching is directed to an obligating of a first party to repurchase a security from a second party.

Brisbois provides a bond backed by life insurance policies as a security to be traded. This reference is cited, with respect to the claimed passage of acquiring shares of ownership in a property represented by a security - - by an administrator, to teach that a bond issuer gets a commitment from an underwriter to purchase shares in a life settlement bond issue.

Tripp teaches the development of a asset-backed fixed-income security to function as a master real currency unit with a constant value. Fig. 10ay presents commencement of a global exchange, and Fig. 10bc discloses a backing of global real currency with RPO (real principal only, without interest) strips. This reference is cited, with respect to the claimed passage of dividing the set of rights into portions by the administrator, to teach a security in which an accrued interest in the form of accrual rights is stripped off (said to be analogous to dividing out rights) from a certificate (said to be analogous to a financial instrument). This reference is cited further, with respect to the claimed passage of establishing a market in the portions by the administrator, to teach the creation of a market where the accrual rights are sold.

Barron is a dictionary providing definitions of technical financial terms, cited for a teaching of a share repurchase plan and a stock buyback process.

Earle teaches a financial transaction network for mutual fund portfolios in different currencies, in conjunction with a host computer. This reference is cited for the teaching of a transfer agent, with respect to the disbursing of dividends.

Wallman creates a portfolio of assets, with execution of trades to modify the portfolio, considering even fractional shares (col. 11 at line 42), by an individual investor. This reference is cited, with respect to the transmitting of votes, for the teaching of a computer based system making adjustments to a portfolio.

In general, it appears that the foregoing references serve the purpose of showing that various elements of the claims are known in the financial field of art. But there does not appear to be any teaching in any one of the references that teaches or even suggests the presently claimed subject matter. Since there is no overriding theme in any of the references to show the general concept of the present invention, there can be no motivation to combine the references.

Argumentation in the previous response is believed still to have validity, and is presented for reconsideration in view of the foregoing arguments.

With respect to the citation of the primary reference, Wohlstadter paragraph [0044] teaches that a share constitutes a set of rights (full or partial ownership). But Wohlstadter does not teach the combination of three basic elements of the subject matter of claim 1 that recites – (1) acquiring shares of ownership in a property, wherein each of the shares constitutes a set of rights – followed by a recitation of – (2) dividing the set of rights into portions, each of the portions having at least one of the rights, followed by yet a further recitation of – (3) establishing a market in the portions.

With respect to the first element, the Wohlstadter passage [0044] teaches the giving of a benefit to the entity that issued the security being traded, that the benefit could be full or partial ownership rights and, by way of example, mentions voting rights. Similar terminology appears in [0095]. Other benefits could be a fee, or an amount based on the spread between the ask price and the bid price [0042] by way of further example.

Thus, Wohlstadter acknowledges that a share of a security can be composed of a plurality of rights, and that one might choose one or more of the plurality of rights to serve as the benefit.

With respect to the second element, the examiner had stated that the division of the set of rights into portions, is taught by Wohlstadter in [0041] as well as in the above-noted [0044 and 0095]. The passage [0041] gives examples of a security constituting a voting right or a bond, by way of example. There is no teaching in [0041] of a division of a set of rights embodied in a security. Also, in [0041 and 0095] division is understood only by implication since there are examples given of a transfer of all ownership rights or partial ownership rights in a security.

With respect to the third element, the examiner had stated that the establishment of a market in the divided-out portions, is taught by Wohlstadter [0008-0012]. This position of the examiner is traversed because it is believed that the teaching of Wohlstadter is the establishment, by an intermediary, of a transaction with a security, possibly in an “exchange”, wherein the terms are broadly defined.

There is no mention, suggestion, or teaching by Wohlstadter of the division of the set of rights embodied in a security into one or more of the rights, representing a fraction or portion of the rights embodied by the security, followed by the establishment of a market in the “fractional rights” (a term used in the present specification). With respect to the fractional rights, the only suggestion of Wohlstadter is that partial ownership rights in a security (such as a share of stock) can be extracted from one or more participants in a transaction of the security, and given over as a benefit to the entity that originally issued the security. Indeed, it is the basic teaching of the first sixty paragraphs of Wohlstadter that there is need to provide some form of benefit to the entity that originally issued the security because it appears to be unfair that the rest of the world makes money on every transaction involving the security, but that no benefit is received by the issuing entity. Among the numerous examples of possible benefits to the issuing entity, Wohlstadter mentions partial ownership rights in a security [0044]. He even mentions a right to buy other securities [0042] as an example of a benefit. However, it is not the intent of

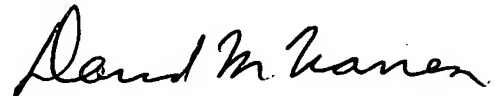
Wohlstadter nor the teaching of Wohlstadter to divide out ownership rights with the intent of establishing a market in the divided-out rights. The Wohlstadter theme of extraction of a benefit from a participant in a securities transaction is found also in the following thirty paragraphs [0061-0090]. It is emphasized that there is no suggestion of conducting a market in the benefit.

The examiner may wish to reconsider other arguments raised in the prior response, which arguments are believed still to be valid.

The foregoing amendment is believed to meet all the points raised by the Examiner so as to place the claims in condition for allowance. If any of the matters raised in the Action or any further matters have not been adequately resolved by this amendment, a telephone interview between Applicant's representative and the Examiner is requested in order to resolve any such outstanding matters.

It is believed that all the claims are now in condition for allowance in that they patently distinguish over the art. Accordingly, a favorable response indicating such condition is earnestly solicited.

Respectfully submitted,



David M. Warren
Reg. No. 25520
Attorney for Applicant
655 Oakland Ave.
Cedarhurst, NY 11516

Tel. (516) 295-2054

Date: *Sept 23, 2008*